## Virginia PBR Mechanism Assessment Worksheet

**Please provide your name and organization.**

* Name:
* Organization:

**Worksheet Instructions**

This worksheet contains a table that will allow you to share your views on how specific PBR mechanisms (or alternative regulatory tools) could help Virginia make progress towards the regulatory outcomes and performance areas listed in [HJ 30/SJ 47](https://legacylis.virginia.gov/cgi-bin/legp604.exe?241+ful+HJ30ER). In the first column, select a PBR mechanism that you think could be beneficial for Virginia. Follow the instructions in the top row of the table to make your PBR mechanism, regulatory outcome, and performance area selections. Then provide your responses to the open-ended follow-up questions. This document contains three copies of the table—you can elect to complete tables for up to three mechanisms.

This assessment serves as a template for you to provide your final written comments for the Department’s stakeholder engagement process. Participants are invited to expand on their responses in these tables in accompanying comments, but are asked to include PBR assessments in the format provided here to support a common approach and review of relevant information. **Please limit responses in the table(s) to 200 words per question.** If you wish to provide additional supporting detail, please do so in accompanying comments. This assessment is due to the Department on April 11, 2025.

**Glossary of PBR Mechanisms and Alternative Regulatory Tools**

For reference purposes, we have provided a glossary of the PBR mechanisms/alternative regulatory tools listed in HJ 30. If you feel that any of the listed tools require a modified definition, please provide your preferred definition and an explanation of why you think this modification is necessary. For additional details on these mechanisms, please refer to the prior meeting materials available on the Department of Energy’s PBR stakeholder engagement process webpage ([link here](https://energy.virginia.gov/public/Stakeholder_Process.shtml)).

* *Performance-incentive mechanisms (“PIMs”):* Mechanisms that provide a financial reward (or penalty) to the utility based on measurable performance on an identified outcome. PIMs consist of a metric, a target, and a financial incentive.
* *Reporting metrics:* Specific, quantifiable measures used to assess a utility's performance in achieving a outcome.
* *Scorecards:* A tool that pairs reported metrics with performance targets, improving transparency and tracking performance toward a goal.
* *Decoupling electricity rates from utility revenues (“revenue decoupling”):* decoupling (i.e., un-linking) the recovery of a utility’s allowed distribution revenue from the level of consumption (sales) by its customers.
* *Multiyear rate plans (“MYRPs”):* Rate plans that set the utility’s revenue requirement and base rates for more than one year. MYRPs typically include a rate-case moratorium (or stay out period) and may include a “revenue cap” that fixes allowed revenues over that period. A MYRP can include additional components to provide revenue adjustments for inflation, productivity improvements, additional cost components, or other factors.
* *Fuel cost-sharing mechanisms:* A shared savings mechanism (SSM) that allows the utility to retain a portion of fuel cost savings, if achieved, rather than pass those through to customers. This seeks to incentivize the utility to pursue fuel reductions or cost control measures.
* *All-source competitive procurement:* A set of approaches for utility contracting for resource needs, including requirements to seek competitive bids and to permit proposals of different technologies or solutions rather than be technology specific.
* *Strategies to equalize financial incentives to deploy capital expenditures and operating expenses (“capex-opex equalization”):* A suite of mechanisms that can reduce the inherent incentive embedded in conventional ratemaking for utility investment in capital projects over operating expense, due to the ability to earn (profit) on capex. Common options or proposed solutions include opex capitalization, PIMs or shared savings mechanisms for targeted expenses, modified clawback mechanism (e.g., included in a MYRP), earnings carryover mechanism, and totex ratemaking.

**Table 1**

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| ***PBR Mechanism/Alternative Regulatory Tool Selection*** |
| Select **one** PBR mechanism or alternative regulatory tool | Which regulatory objective(s) would this PBR mechanism most help Virginia achieve? **Select UP TO two (2) as the primary objectives to achieve.** | What performance area(s) could this PBR mechanism help improve or advance? **Select UP TO three performance areas that you think could or should be improved by implementing this mechanism.** |
| [ ]  Reporting Metrics[ ]  Scorecards[ ]  Performance-Incentive Mechanisms[ ]  Decoupling electricity sales from utility revenues[ ]  Multiyear Rate Plans[ ]  Fuel cost-sharing mechanisms[ ]  Best practices for all-source competitive procurement[ ]  Strategies to equalize financial incentives to deploy capital expenditures and operating expenses[ ]  Other (please describe: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_) | [ ]  Tracking and achieving improved performance in affordability, reliability, customer service, and resiliency[ ]  Enhancing cost-containment incentives[ ]  Streamlining planning and resource procurement to secure competitive prices for energy infrastructure[ ]  Harmonizing financial incentives created through regulation with the Commonwealth's energy policy goals[ ]  Eliminating disincentives for utilities to deploy third-party and customer-owned generation, energy efficiency savings, and peak-load reduction[ ]  Making progress toward the Commonwealth's decarbonization goals | [ ]  reliability and resiliency[ ]  affordability for customers[ ]  emergency response and safety[ ]  cost-efficient utility investments and operations[ ]  customer service[ ]  savings maximization from energy efficiency and exceedance of statutorily required savings levels[ ]  peak-demand reductions[ ]  DER integration, including the quality and timeliness of interconnection of customer- & third-party-owned resources[ ]  environmental justice and equity[ ]  beneficial electrification (transportation, buildings, other)[ ]  maximization of available federal funding[ ]  decarbonization of the Commonwealth's electricity sector[ ]  cyber and physical security of the grid[ ]  annual and monthly generation and resource needs in addition to hourly generation and resource needs on the 10 hottest and coldest days of the year[ ]  Other (please describe: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_) |
| ***Features and Design Considerations for this PBR or alternative regulation tool***  |
| ***Question 1:*** *Why would the PBR mechanism you selected help Virginia make progress towards meeting the regulatory objectives and performance areas that you selected above?* |
| *[please type your answer here]* |
| ***Question 2:*** *What component(s) of the utility’s* ***costs or revenue requirements*** *would this PBR mechanism/alternative regulatory tool would apply to? (e.g., distribution system capital expense, transmission, power supply, fuel costs, ROE, etc.).**For example, a fuel cost-sharing mechanism would impact a utility’s* ***fuel costs (operating expense)****. Rather than the fuel costs being entirely passed through to customers, the utility would have opportunity to retain a share of fuel cost savings as* ***earnings.*** |
| *[please type your answer here]* |
| ***Question 3:*** *What limitations or challenges of Virginia’s* ***current ratemaking construct*** *would this PBR mechanism/alternative regulatory tool seek to change? Where possible, identify specific ratemaking structures and their limitations.* |
| *[please type your answer here]* |
| ***Question 4:*** *For this PBR mechanism/alternative regulatory tool, what* ***key design features/attributes*** *do you suggest for inclusion? (e.g., if you selected multi-year rate plans as your PBR mechanism, what is your suggested number of years between rate cases and what other design features should be considered?)* |
| *[please type your answer here]* |
| ***Question 5:*** *What* ***potential interactions*** *with other mechanisms need to be considered?** *4a) Existing regulatory/ratemaking structures*
* *4b) Potential new regulatory/ratemaking structures (e.g., other PBR mechanisms or alternative regulatory tools under consideration)*
 |
| 4a) *[please type your answer here]* |
| 4b) *[please type your answer here]* |
| ***Question 6:*** *What* ***data, metrics, or other information requirements*** *are necessary for this PBR mechanism/alternative regulatory tool to be deployed successfully?* |
| *[please type your answer here]* |
| ***Question 7:*** *What* ***challenges or unintended consequences*** *could this PBR mechanism/alternative regulatory tool create, which might require additional attention and/or monitoring?* |
| *[please type your answer here]* |
| ***Question 8:*** *Are there any other issues or points related to this PBR mechanism/alternative regulatory tool that you feel require attention?* |
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**Table 2**

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